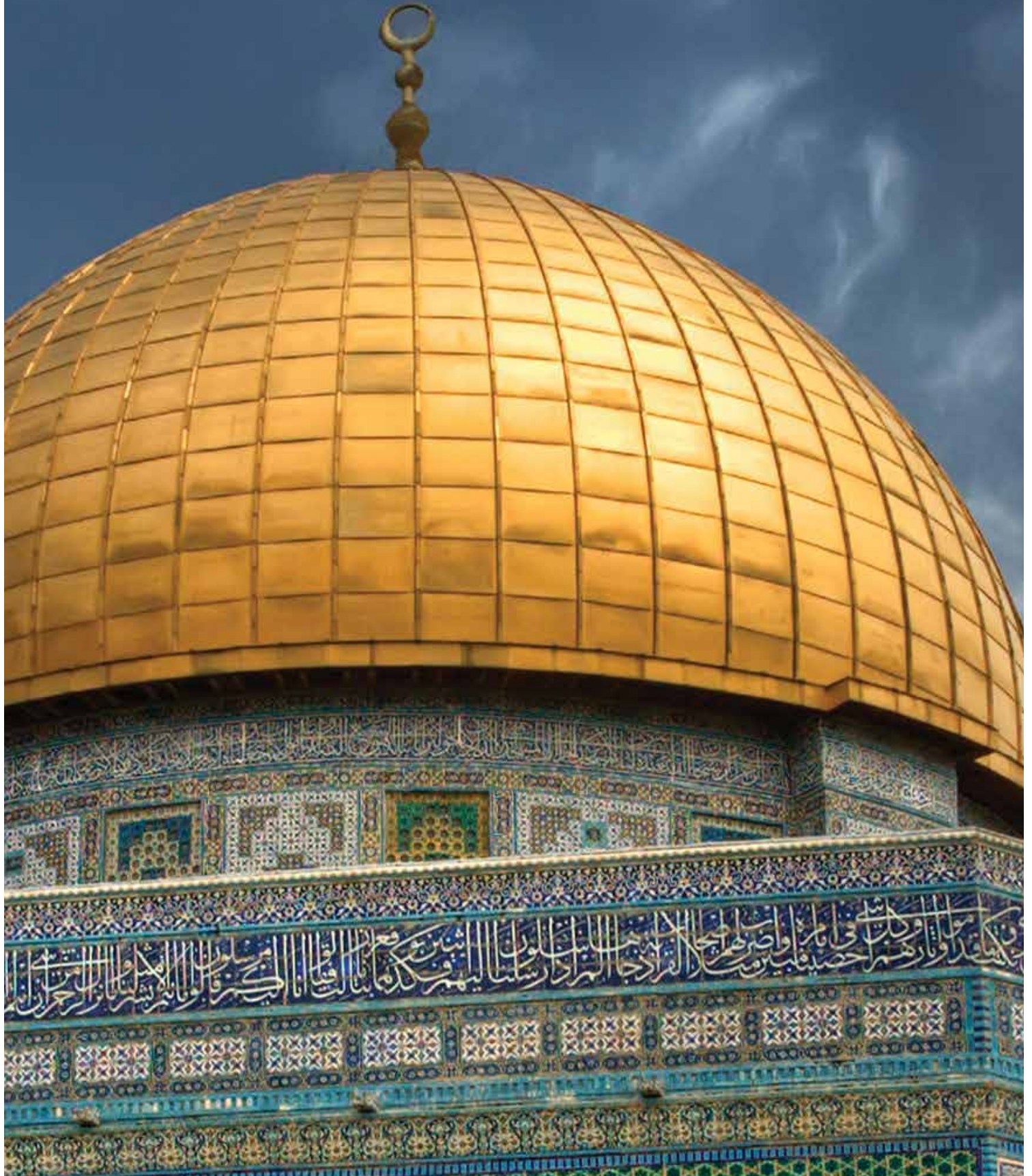


EXHIBIT 11A







”

Palestine Investment Fund invests in our nation-building program, with passion and success.

I applaud PIF's contribution to the growth of a strong and sustainable national economy - from its ambitious energy strategy to its investment in entrepreneurial innovation.

PIF manifests its dedication to our people by promoting economic resilience in Jerusalem, the Jordan Valley, Palestinian refugee camps in Lebanon, and future entrepreneurs.

I commend PIF for modeling the essentials of good governance. Since 2006, its commitment to accountability and transparency has truly made PIF an asset to our nation.

I thank the leadership and employees of PIF for their dedication and integrity in managing the flagship financial institution of our nation.

“

Mahmoud Abbas

President of Palestine

ABOUT PALESTINE INVESTMENT FUND

Palestine Investment Fund (PIF) was established in 2003 as an independent investment company in order to strengthen the local economy through strategic investments.

PIF is the leading institutional investor in Palestine and is fully owned by the Palestinian people. PIF is professionally managed, based on the principles of transparency, accountability, and good governance.

PIF promotes sustainable economic growth and private sector development in Palestine by originating and investing in economically feasible, socially responsible, and developmentally sound strategic projects in vital and viable economic sectors in Palestine.

In the past few years, PIF has built a robust investment portfolio that is concentrated in Palestine but spans multiple strategic economic sectors and asset classes.



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CHAIRMAN OF THE BOARD'S MESSAGE

On behalf of the Board of Directors, it is my pleasure to present you with Palestine Investment Fund's 2014 annual report.

Over the past year, Palestine Investment Fund (PIF) continued to help grow and conserve the assets it invests for the Palestinian people. In 2014, PIF transformed key investment sectors by restructuring for growth, sustainability, and profit, renewed national plans to exploit vast energy reserves, invested in the economic potential of Palestinian entrepreneurs, and expanded its service to the Palestinian people.

2014 was a year of national loss. The widespread destruction and massive loss of life caused by the Israeli assault on Gaza are a grim reminder of the restrictions and volatility that impact the Palestinian people and the national economic growth. The ongoing political situation - and declining donor support for Palestine - cast a deep shadow on the economic situation.

Investing in the Future of Palestine

The social and economic reverberations of 2014 demonstrate the importance of PIF's long-term development agenda. PIF aligns its diverse portfolio, with its stable returns, to the Government of Palestine's ambitious nation-building plans. Its investments are focused on long-term value creation through catalyzing and fueling national economic growth, led by Palestinian businesses and for Palestinian citizens.

“ The Government of Palestine has received around \$906 million in dividends, taxes, and license fees through PIF's investments since 2003. ”

Against the backdrop of serious economic challenges, PIF's assets reached \$795 million while its equity was \$697.8 million.¹ In 2014, PIF achieved \$44 million in profit before taxes, which exceeds the estimated budget by \$10.3 million. With \$36.7 million in net income for 2014, PIF had achieved \$907.8 million in cumulative net income over the past decade (since 2003).

¹ All values in this report are in US dollars.



Dr. Mohammad Mustafa
Chairman

Developing National Resources

PIF invests in Palestine with a clear development agenda: to help build a strong and independent economy. Similar to previous years, this agenda drove PIF's investment actions in 2014.

PIF brought closer the reality of local fuel production that will end Palestinian dependence on energy imports, by expanding its stake in the Gaza Marine gas field, expediting the development of the Rantis Oil Field, and initiating two new power plants in the West Bank: in Jenin through the Palestine Power Generation Company (PPGC) and in Hebron through the South Power Plant. PIF also focused its resources on fostering growth in renewable energy start-ups, which have the potential to generate 50% of Palestine's electricity needs by 2030.

Land is another intrinsically precious Palestinian asset, with territorial development a national mandate. In 2014, Amaar Real Estate Group made a critical shift in its land development approach, towards horizontal development of large land tracts. This leverages Amaar's significant land and financial resources to increase market access to buildable land.

Amaar's move towards horizontal development has taken its capacity to unlock the economic potential of land to a higher level, enabling it to lead the national real estate sector towards greater development potential. It also reduces Amaar's focus on vertical development of real estate projects and allows the private sector to expand its role in this sector.

“Amaar's new horizontal approach will stimulate the construction and engineering sector and continue to enable affordable housing for Palestinian citizens.”

PIF believes in the potential of the Palestinian people and their ability to fuel the national economy, which is why the Sharakat Investment Fund, with its focus on micro, small, and medium-sized enterprises (MSME), is such a dynamic and promising component of PIF's portfolio. Sharakat has closed nine deals in the past two years, including two deals closed in 2014 in micro-finance and – for the first time – health services. Sharakat will continue to add value to its portfolio companies in order to realize shareholder profit and stimulate the MSME sector, which makes up 85% of private sector employment and more than 55% of national GDP.

PIF also worked to support Palestinian MSMEs without access to traditional financing. In 2014, its new Islamic financing facility (Palestine Ijara Company) was launched and began providing SMEs with financing compliant with *sharia*' (Islamic law). PIF also focused on small business owners who are financially marginalized by larger geo-political contexts, both in Jerusalem (through the Jerusalem SME Lending Facility and

the European Union-funded Jerusalem Grant Facility) and in Lebanon (through the Lebanon Refugee Camps Microfinance Facility).

Evolving for Growth

PIF transformed key investments this past year to maximize economic and national growth.

Sanad Construction Industries (formerly the Palestinian Commercial Services Company) is now positioned to consolidate the supply chain of cement and create a substantial inventory in the West Bank, which would stabilize the growing national construction sector.

“Sanad took the first step towards reducing national dependence on imported building materials in 2014.”

In 2014, it established a cement re-packaging facility and regional storage capacity and initiated strategic planning for the first Palestinian cement factory. In 2015, Sanad will continue to drive the development of the national building industry by launching a \$30 million investment program for new and established concrete producers and exploring co-investing with Sharakat and private companies.

Sharakat's expansion into soft infrastructure (health and education) and renewable energy creates a greater diversity for its MSME portfolio and increases its profit-potential investments, such as its recent investment in a new specialized hospital in the underserved Jenin governorate.

Against a backdrop of general banking sector growth, Islamic banking has seen a particularly significant growth over the past five years, driven by the increasing number of customers preferring *sharia*-compliant financing. With only two of 16 Palestinian banks offering Islamic banking services, PIF views its investments in the two Islamic banks and Palestine Ijara Company as an underserved and underdeveloped sector with high growth potential.

Chairman of the Board's

Message

“ PIF has expanded its investment in the Islamic banking and financing sector in response to growing citizen demand and an identified market need. ”

Synergies within PIF

PIF is also leveraging its diverse portfolio towards synergies that increase efficiency and boost new and existing investments. Where possible, PIF is centralizing universal functions, such as human resources, internal audit and compliance, legal affairs, and cash management, within its portfolio, so that affiliates such as Amaar and Sanad can focus on their specialized tasks. The proposed co-investment by Sanad and Sharakat also demonstrates how the common framework offered by PIF can increase return on investment.

Serving the Palestinian People

PIF also invests in the Palestinian people through its corporate social responsibility (CSR) initiatives. In 2014, PIF expanded its philanthropic impact by establishing the Palestine for Development Foundation (PSDF), a separate entity that manages all CSR initiatives and programs formerly under PIF.

By creating the PSDF, PIF is maintaining its focus on investment activities while ensuring a strategic and sustainable approach for social investment. In its new role, PSDF now funds micro-finance support to Palestinian refugees in Lebanon and channels European Union grants to SMEs in Jerusalem.

In 2014, Gaza remained an important focus for PSDF. In addition to its support for the American School in Gaza, PSDF provided funds for immediate relief in the weeks after the war on Gaza.

Governing Responsibly and Transparently

PIF maintained its lauded commitment to corporate governance. Measures and standards to promote transparency and corporate governance include: continued cooperation with the State Audit and Administrative Control Bureau; the presence of an internal audit unit supporting an international audit firm (Deloitte) reporting to the audit committee and of an external auditor (Ernst & Young) reporting to the PIF Board of Directors and General Assembly; and the adoption of manuals governing every PIF function. Such measures have enabled PIF to better manage its assets, decisions, and investment operations, and have significantly contributed to its success in achieving strategic projects throughout Palestine.

Working Together for Success

Finally, I would like to express my sincere gratitude, as well as the gratitude of my colleagues on PIF's Board of Directors, and PIF's staff members, to His Excellency President Mahmoud Abbas, for his continued support and his guidance. I would like to express our gratitude to the Government, to the members of PIF's General Assembly, to the Board of Directors, and to PIF staff members for the hard and impressive work that they have been doing. I would also like to thank all our partners in all programs and projects implemented by PIF, without whom we would have been unable to reach our common goals, or to continue our path toward building a Palestinian state, with an independent economy as its cornerstone.

Sincerely,

Dr. Mohammad Mustafa
Chairman

2014 HIGHLIGHTS



PIF's net income before tax was
\$44 million.

Net income after tax reached \$36.7 million.

PIF's equity amounted to
\$697.8 million
in 2014,

compared to \$676.7 million in 2013.

PIF's assets reached
\$795 million,
compared to \$771 million by the end of 2013.

Since 2003, PIF has transferred over
\$728 million to the government in dividends.

PIF's capital was
\$625 million,
by the end of 2014.

2014 HIGHLIGHTS PORTFOLIO



Infrastructure

PIF increased its stake in the Gaza Marine field to 17.5% and its stake in the Palestine Power Generation Company (PPGC) to 39.6%. The PPGC established a pool of seven pre-qualified international contractors and initiated talks with debt financing institutions. Wataniya Mobile improved its profitability by 21%, as net losses reached -\$16.5 million in 2014 compared to -\$21 million in 2013. Its gross revenues in 2014 were \$85.3 million.



Micro, Small and Medium Enterprises

Sharakat Investment Fund has invested in nine SMEs since inception in 2013, for a total value of \$12.3 million, including Palestine Ijara Company, Palfarm, Strand, Faten, Anoud, Transcend, and Souktel. In 2014, Sharakat closed two new investment agreements, with Asala Company for Lending and Development and Ibn Sina Specialized Hospital.



Real Estate and Hospitality

Amaar Real Estate Group shifted its strategic focus from vertical project-based construction to horizontal mass land development in order to provide greater national access to unexploited land and give Palestinians the chance to build their own homes. Amaar sold the majority of the properties in Al Reehan in Ramallah, launched Madinat Al Qamr land development project in Jericho, and finalized two towers in Ersal Center. In 2014, the real estate portfolio was valued at \$166.7 million.



Large Caps

PIF added value to its large caps holdings through strategic growth plans: Sanad continues its strong financial showing and initiated a shift towards local construction material supply and production; APIC went public on the Palestine Exchange and improved its performance, and Palestine Islamic Bank expanded its products and services. Valued at \$133.2 million, the large caps portfolio continued to deliver strong results, despite market conditions.



Capital Markets Investments

Khazanah, which is managing assets of \$234.4 million, achieved a net income of \$18.7 million in 2014. Khazanah continued to focus its investments in the Palestinian market, with holdings in the Palestine Exchange increasing covering several strategic sectors.



Palestine for Development Foundation

PIF established Palestine for Development Foundation (PSDF) to ensure a strategic and sustainable approach for social investment. Over \$3 million in grants and micro-loans have been given to Palestinian small business owners and entrepreneurs in Lebanon and Jerusalem. Through PSDF, PIF also disbursed over \$1 million in corporate social responsibility initiatives, including educational and humanitarian support to Gaza.

2014 HIGHLIGHTS

ECONOMIC CONTEXT

The Palestinian economy is a promising economy that possesses sound fundamentals for high growth potentials: a young and fast-growing population, investor and business friendly regulatory environment, active private sector, and fast evolving financial sector.

However, the continuing political volatility and restrictions on the movement of Palestinian commodities hinder the growth of the private sector and continued to do so in 2014.

Following the devastating Israeli war on Gaza which resulted in significant loss of life and property, Gaza's economy deteriorated substantially. Similarly, the economy in the West Bank suffered from disruptions to economic activity due to the war.

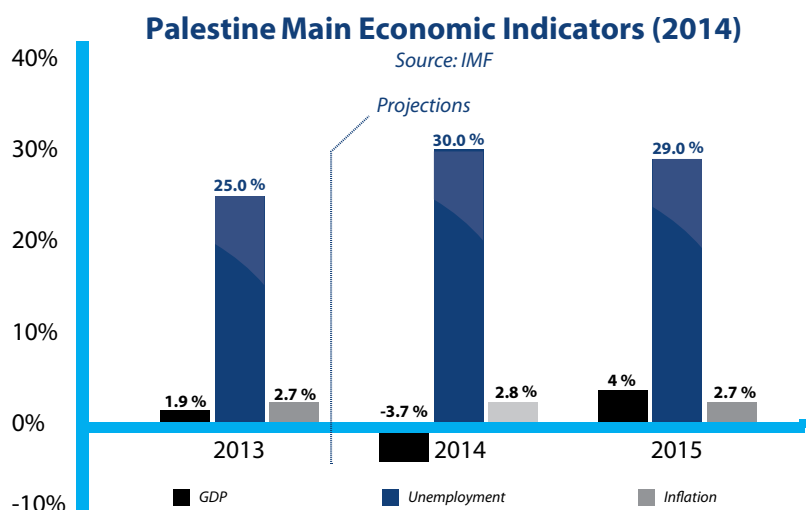
In general, the economic activity in Palestine was weak in 2014, even before the war on Gaza. In spite of the positive growth seen in the period between 2007 and 2013, the IMF reported that the GDP in Gaza dropped by 15% by the end of 2014 and the West Bank was only able to achieve a 0.5% growth in GDP.

On December 31, 2014, Israel froze tax revenue transfers to the Government of Palestine in response to its signature to the International Criminal Court (ICC), a move that affected the public sector salary payment and reduced private sector activity.

Unemployment rates in the West Bank and Gaza reached 30% by the end of 2014 (16% in the West Bank and 45% in Gaza). By the end of 2014, inflation rates in Gaza and the West Bank reached 1.20% and 2.85%, respectively. Inflation rates were mainly driven by higher prices in Gaza and the depreciation of the shekel currency. These rates are anticipated to remain within the same range during 2015.

The earnings of listed Palestinian corporates grew by 27% in Q4, 2014 compared with Q3, 2014 with yearly earnings reaching \$227 million by the end of Q4, 2014, as initially declared by the listed companies. Current market valuation levels, dividend distributions, and volatility levels remain competitive when compared to the MENA and global equity markets.

“ A dynamic private sector can only achieve needed growth and contribute to reduced unemployment in a context of stability and free trade, which is not yet achieved in the Palestinian market. ”



INVESTING FOR NATIONAL DEVELOPMENT

Since inception, PIF has been a reliable income stream for the government. PIF has created **1.2 million working days** in the construction sector and over **10,500 jobs** through its Loan Guarantee Facility alone. PIF provided the Government of Palestine with **\$906 million** in revenue (from taxes, revenues, and license fees).

PIF's vision is centered on contributing to the establishment of a sovereign, free, and prosperous Palestinian state with a strong economy that is independent of donor handouts and supported by a strong, dynamic and innovative private sector.

PIF's main objective is to promote sustainable economic growth and private sector development in Palestine by originating and investing in economically feasible, socially responsible and developmentally sound strategic projects in vital and viable economic sectors in Palestine, in partnership with the Palestinian private sector, as well as regional and international investors.

PIF's investment activities span across a wide range of economic sectors and segments, asset classes, and geographic areas, and may take many forms, including direct and indirect majority or minority investments in private and public enterprises, fund subscriptions, loans and other finance products such as guarantees and securitizations, in addition to real estate and other types of investments.

These investments may be managed directly by PIF, by one of PIF's subsidiaries, or by one of PIF's partners or co-investors. The overwhelming majority of PIF investments are based in Palestine in line with its developmental mandate. Excess liquidity may be invested in international and regional fixed income and traded equity markets.

PIF'S ROLE IN THE NATIONAL ECONOMY

PIF plays a leading role in motivating and supporting the Palestinian private sector to enable it to assume a greater role in economic development and to provide new employment opportunities to absorb Palestine's fast-growing labor force. PIF does that by entering into projects and ventures that the private sector, on its own, would be hesitant to carry out because of the perceived risk involved. PIF also supports the private sector by investing in projects that develop the country's infrastructure and hence improves the overall business and operational environment for all investors in Palestine.

PIF strives to attract direct regional and international investments, due to their fundamental role in bringing in much needed capital, knowledge, and expertise. PIF managed to create greater investor confidence in Palestine and built an important network from which the Palestinian business community can benefit tremendously. Its involvement in the energy, telecommunication, and cement sectors has created healthy competition in these sectors, which in turn was reflected on quality of services provided. Similarly, its investments in the Palestine Exchange (PEX) through Khazanah Assets Management Company, a fully owned subsidiary, have increased the confidence of local and foreign investors in the PEX.

OUR LEADERS AND OUR VALUES

PIF believes strongly that good corporate governance is critical to its long-term success.

PIF's corporate success and sustainability depend not only upon the performance of its investments but also upon the integrity and credibility of its business operations. This is why PIF is committed not only to complying with all Palestinian laws and regulations but also with leading corporate governance practices on the regional and international levels. PIF is governed by its Articles of Association and by Palestinian laws and regulations.

The four pillars of PIF's governance structure are an independent General Assembly and Board of Directors; internal and external auditors; standard policies and procedures developed in accordance with best practices; and competent and qualified professional staff.



OUR LEADERS AND OUR VALUES

BOARD OF DIRECTORS

PIF has an 11-member Board of Directors composed of majority independent non-executive members who have varied backgrounds, expertise, and skills and are drawn largely from the Palestinian business community, academia, civil society, and regulatory agencies. The term is three years, and members of the board may not serve more than three consecutive terms.



Dr. Mohammad Mustafa
Chairman of the Board

Dr. Mustafa is the chairman of the Board of Directors of Palestine Investment Fund. He is also the Deputy Prime Minister of Palestine. He holds a Doctorate and a Master in Management and Economics from the George Washington University and a Bachelor in Engineering from the University of Baghdad. Dr. Mustafa previously held senior positions at the World Bank and a number of regional and leading local companies and investment funds.



Mr. Maher Al Masri

Mr. Al Masri was the Minister of National Economy until 2005 and former chairman of the board of directors of Palestine Capital Market Authority. He is currently the chairman of the Palestine Islamic Bank and a member of the board of trustees of Palestine Economic Policy Research Institute (MAS). Mr. Al Masri was also the head of the Palestinian Investment Promotion Agency (PIPA), the Palestine Standards Institution (PSI), and the Industrial Cities Authority. He holds a Master in Economics. Mr. Al Masri is a member of the Governance Committee of the Board of Directors.



Dr. Jihad Al Wazir

Dr. Al Wazir has been the governor and chairman of the board for Palestine Monetary Authority since 2008. He is the deputy chairman of the board of trustees for the Arab American University in Jenin. He holds a Doctorate in Business Administration. Dr. Al Wazir is the founder of the Palestinian internet domain (.ps). Dr. Al Wazir is a member of the Audit and Governance Committees of the Board of Directors.



Mr. Azzam Al Shawwa

Former Minister of Energy, Mr. Al Shawwa is currently the general manager of Palestine Commercial Bank. He was the chairman of the Palestinian Banks Association in 2012. Mr. Al Shawwa is an active board member in many local and international organizations and institutions. Mr. Al Shawwa holds a Bachelor in Mathematics from Memphis University. Mr. Al Shawwa is a member of the Investment Committee of the Board of Directors.



Mr. Mohammad Abu Ramadan

Mr. Abu Ramadan is the former Minister of Planning and Administrative Development. He is the chairman of Abu Ramadan Investment Group, the chairman and CEO of the Gaza Bus Company, the chairman of Wataniya Mobile, and the chairman of Palestine Insurance Company and PalTrade. He is a board member of Sanad and Amaar and was also a member of the board of directors for the Palestine Monetary Authority. Mr. Abu Ramadan holds a Bachelor in Business Administration from Syracuse University. He is a member of the Audit Committee of the Board of Directors.



Eng. Nabil Al Sarraf

Mr. Al Sarraf is the chairman of the board of the Palestine Real Estate Investment Company (PRICO) and the deputy chairman of the Palestine Development and Investment Company (PADICO). Furthermore, he is a board member in some of the leading Arab and Palestinian companies, including Gaza Power Generation Company (GPGC). Mr. Al Sarraf holds a Master in Civil Engineering from Aachen University. He is the chairman of the Human Resources Committee of the Board of Directors.

PIF's Board of Directors provides strategic leadership, guidance, and oversight and is the ultimate decision-making authority. The Board has specialized audit, investment, corporate governance, and human resources committees to facilitate informed discussions, enhance oversight, and ensure effective decision making.



Mrs. Lana Abu Hijleh

Mrs. Abu Hijleh is a local and international developmental expert who holds a Bachelor in Civil and Environmental Engineering. Mrs. Abu Hijleh is currently the general director of Global Communities' in Palestine. She is an active volunteer in a number of Palestinian and international NGOs and private sector institutions. Mrs. Abu Hijleh is a member of the Human Resources Committee of the Board of Directors.



Mr. Samer Khoury

Mr. Khoury is the executive vice president for engineering, and construction at the Consolidated Contractors Company (CCC), one of the most successful engineering and construction companies in the Middle East. He is an economic activist and a board member in more than 28 entities around the world. Mr. Khoury holds a Bachelor in Civil Engineering from California State University and a Master from University of Southern California. He is a member of the Human Resources Committee of the Board of Directors.



Mr. Tareq Al Aggad

Mr. Al Aggad is the chief executive officer and the chairman of the board for the Arab Palestinian Investment Company (APIC), and an executive board member at Al Aggad Investment Company (AICO). In addition he is a board member at many manufacturing, distributing and servicing companies in Palestine, Jordan, and Saudi Arabia. He holds a Bachelor in Economics from Harvard University. Mr. Al Aggad is the chairman of the Audit Committee and a member of the Human Resources Committee of the Board of Directors. Mr. Al Aggad is the chairman of the Audit Committee and a member of the Human Resources and Investment Committees of the Board of Directors.



Mr. Mazen Sinokrot

Mr. Sinokrot is the former Minister of National Economy. He is the founder of Sinokrot International Group. He is the founder of PalTrade and the first chairman of the board and the founder of the first Jerusalem-based holding company, Al-Quds Holding. He holds a Bachelor in Production Management and Industrial Engineering from Nottingham University. He led the national efforts to establish many private sector institutions, such as Palestinian Food Industries Union, which he ran for many years. Mr. Sinokrot is a member of the Audit and Investment Committees of the Board of Directors.



Dr. Mohammad Nasr

Dr. Nasr is the dean of the Business and Economics Faculty at Birzeit University and the chairman of the board of the Palestinian Governance Institute and the Capital Market Authority. Previously, he was the general manager of the Palestine Economy Research Institute (MAS), the director of the Master in Business Administration (MBA) program at Birzeit University, and the director of the Economics Department at Al Yarmouk University. Mr. Nasr holds a Doctorate in Economics from Ohio University and an MBA from Wayne State University. He is a member of the Investment and Governance Committees of the Board of Directors.

OUR LEADERS AND OUR VALUES

The Board of Directors has the following four committees, each comprises of four board members:

1. Audit Committee: The committee's responsibilities include: reviewing PIF's audited financial statements, reviewing internal audit findings and follow up measures taken by management, and reviewing issues with significant impact on PIF's financial statements. Members of this committee have financial and accounting experience.

2. Investment Committee: The committee's responsibilities include: reviewing and approving the investment policies, reviewing and recommending investment decisions and reviewing and monitoring performance of the investment portfolio. Members of this committee have experience in investment and financial management.

3. Governance Committee: The committee is headed by the chairman of the board. Its responsibilities include: ensuring compliance with internal corporate governance regulations; reviewing and recommending corporate governance policies to the board; monitoring, addressing, and arbitrating conflicts of interest at the board and senior management level; and advising the chairman on PIF representation on the boards of other companies.

4. Human Resources Committee: The committee's responsibilities include: reviewing and approving human resource policies, reviewing compensation and bonuses for senior executives and reviewing and recommending the chief executive officer's salary and compensation.

EXECUTIVE COMMITTEE

The executive committee of the PIF is chaired by Dr. Mohammad Mustafa and includes the chief financial officer, chief investment officers, chief operating officer, and chief counsel of PIF, as well as the chief executive officers of Sanad, Amaar, Wataniya, and Sharakat Investment Fund. The committee plays a vital role in supporting the CEO in evaluating investment and management issues and decisions that require the approval of the CEO or the Board of Directors.

ACCOUNTABILITY

Auditors, internal and external, are cornerstones to PIF's governance structure. Since its inception, PIF's operations and activities are audited by the internal audits and its financial statements are audited by PIF's external auditors. In addition to the internal and external audit, PIF is subject to audit by the State Audit and Administration Bureau.

Policies and procedure manuals for all PIF functions, including finance and administration, investments, procurement, and human resources, were developed, reviewed and approved by the Board during 2014.

TRANSPARENCY

PIF has a comprehensive transparency and disclosure policy that is in line with international leading practices to ensure timely and full disclosure of its finances, operations, and investment activities. PIF publishes its audited financial information in the annual report and on its website, in line with its principles of transparency and accountability.

PIF's website includes details of its projects and programs, and electronic copies of all press releases and printed materials distributed by PIF.

RISK MANAGEMENT

PIF's operations are subject to a number of risks including: political risk, compliance risk, operational risk, economic risk, interest rate risk, currency risk, liquidity risk, and reputation risk.

To manage those risks, PIF is adopting a well-diversified investment program where investments are allocated across various asset classes. In addition to sectorial diversification, PIF maintains geographical diversification, where investments outside Palestine are carefully allocated to the regional and international markets. PIF also adopts a policy that limits its currency exposure and uses hedging tools, such as futures and options contracts, to minimize currency risk.

Finally, PIF's corporate governance framework and the standard policies and procedures manuals for its various departments and subsidiaries play a key role in its operational risk management.

In 2014, PIF worked with PricewaterhouseCoopers (PwC) in strengthening its risk management framework as part of its commitment to continually monitoring and refining its risk management functions.

OUR LEADERS AND OUR VALUES

GENERAL ASSEMBLY



- | | | |
|----------------------------------|--------------------------|----------------------------|
| 1. Dr. Mohammad Mustafa | 8. Representative of | 18. Dr. Mohammad Shtayyeh |
| 2. Governor of the Palestine | Palestinian Business | 19. Dr. Khaled Al Qawasmeh |
| Monetary Authority | Women Forum Board of | 20. Mr. Kamal Hassounah |
| 3. Chairman of the Board of | Directors | 21. Mr. Waleed Salman |
| Directors, Palestine Stock | 9. Mr. Samer Khoury | 22. Mr. Jawdat Al Khudari |
| Exchange | 10. Mr. Nabil Al Sarraf | 23. Dr. Hani Nijem |
| 4. Chairman of the Federation of | 11. Mr. Mazen Sinokrot | 24. Mr. Sam Bahour |
| the Palestinian Chambers of | 12. Mr. Mohammad Abu | 25. Mr. Abdulkader Al |
| Commerce | Ramadan | Husseini |
| 5. Chairman of the Board, | 13. Mr. Tareq Al Aggad | 26. Mrs. Dina Al Masri |
| Capital Markets Authority | 14. Mr. Azzam Al Shawwa | 27. Mr. Hashim Shawa |
| 6. President of the Private | 15. Mrs. Lana Abu Hijleh | 28. Mr. Ahed Bseiso |
| Sector Coordination Council | 16. Dr. Mohammad Nasr | 29. Mr. Nassar Nassar |
| 7. Presidential Court Director | 17. Dr. Khalil Hindi | 30. Mr. Iyad Joudeh |

The General Assembly represents PIF's ultimate shareholder, the people of Palestine. It constitutes PIF's ultimate supervisory authority and is responsible for providing strategic guidance in relation to PIF's mission and objectives. The General Assembly is composed of 30 independent reputable members, representing the business community, regulatory agencies and civil society, appointed by the President of the Government of Palestine for a three-year term.

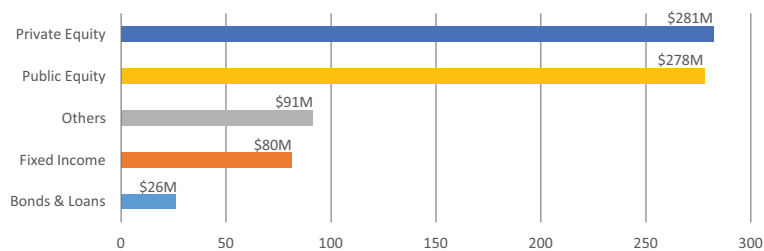
The General Assembly provides strategic guidance to the board of directors, reviews annual reports, and approves the distribution of dividends to the Palestinian Treasury. The General Assembly also appoints the external auditor on the basis of the recommendations of the Board of Directors.

INVESTMENT PORTFOLIO

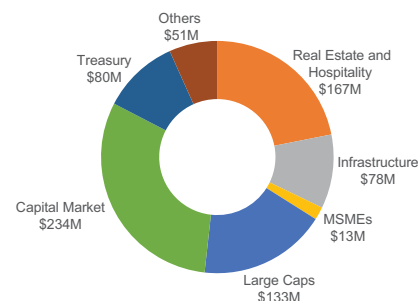


**Total value:
\$756 million**

Allocation by Investment Class

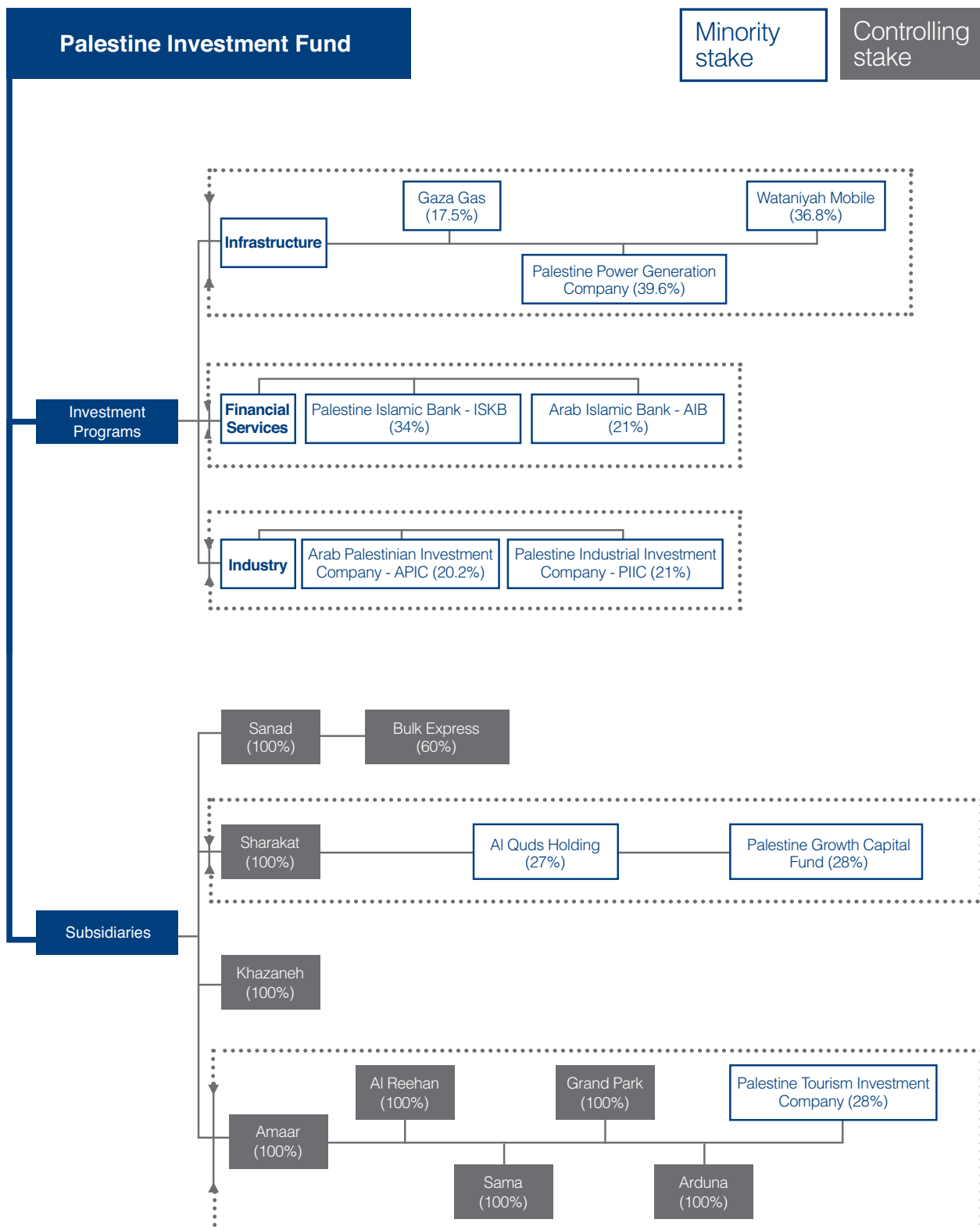


Allocation by Investment Sector

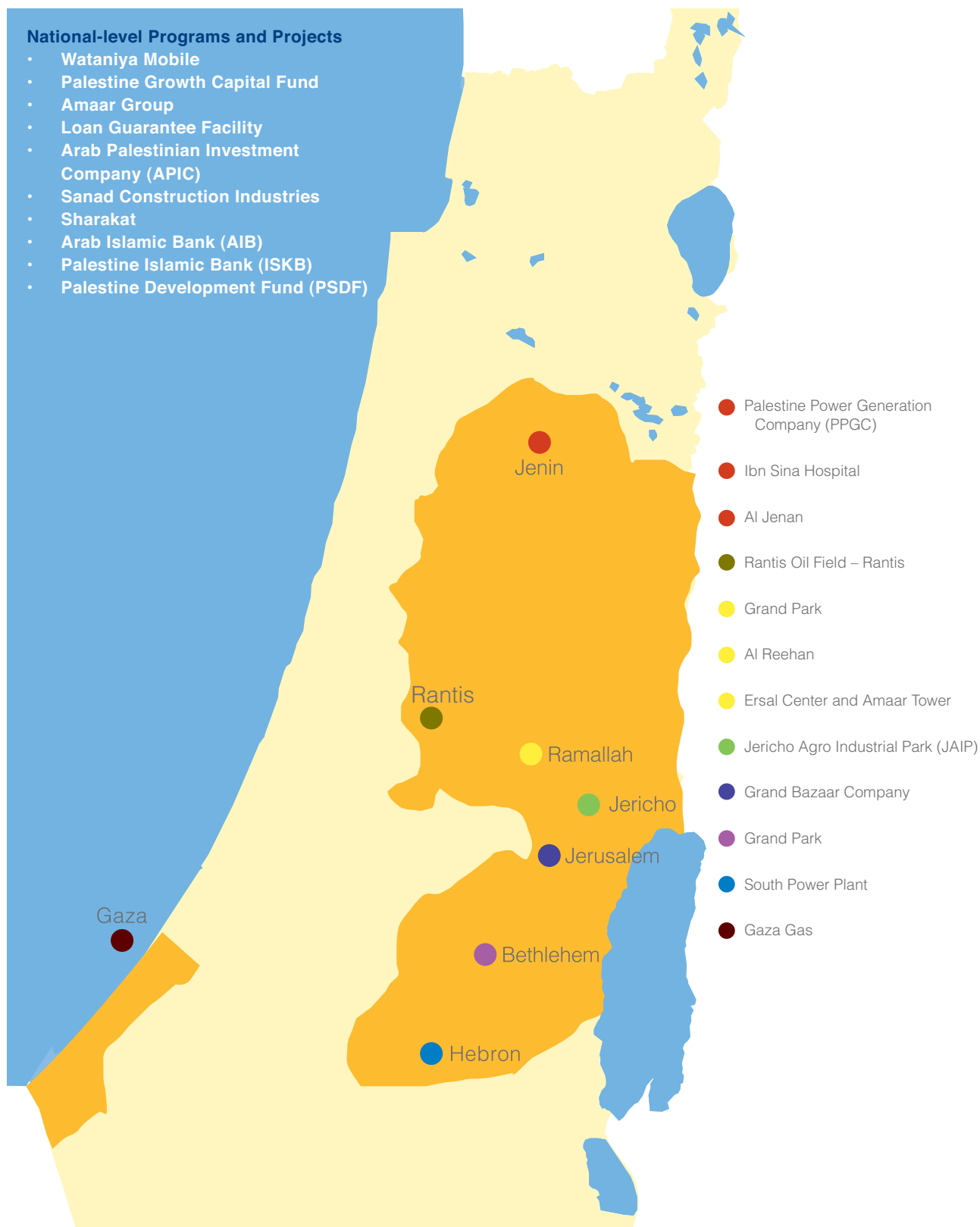


INVESTMENT PORTFOLIO

INVESTMENT STRUCTURE



INVESTMENT PORTFOLIO GEOGRAPHIC DISTRIBUTION



INVESTMENT PORTFOLIO INFRASTRUCTURE



INFRASTRUCTURE

In the infrastructure sector, PIF invests to transform.

The infrastructure sector in Palestine remains underdeveloped, despite its important role in economic development and the huge potential of energy and telecommunications projects.

As the Palestinian population and economy grow, PIF believes it is essential to invest in developing the infrastructure sector to address current and anticipated demands of individuals and businesses. Investments in this sector drive immediate and sustainable national economic growth. In addition to addressing existing gaps, these projects are known to be highly leveraged in the long-term and are expected to have a highly predictable revenue performance.

As the sovereign development fund, PIF plays a unique role in providing significant capital for the infrastructure space by partnering with other local and foreign investors who are willing to initiate and manage projects in this sector but need additional support in terms of financing and risk sharing.



INFRASTRUCTURE ENERGY

Developing local sources of electricity, gas, and oil is a strategic need for the Palestinian economy and the Palestinian people.

The energy sector acts as a key enabler across all industries. Access to a stable and reasonably priced energy supply stimulates economic growth.

The Palestinian market's complete reliance on electricity imports has posed a massive financial burden on the Government of Palestine, increasing its expenses by an estimated \$700 million annually. Moreover, since 95% of Palestinian electricity is imported from Israel, the unsettled political environment poses a constant risk to the national economy and private sector.

In the energy sector, need significantly outstrips supply and costs are too high. The current basic electricity need in Palestine is estimated at around 1,230 MW (800 MW in West Bank and 430 in Gaza), with an installed capacity of around 140 MW. Palestinian families spend over 6% of expenditure on electricity, compared to around 3% in Israel. The industrial sector consumes a significantly smaller proportion of total energy (around 6%), compared to much higher rates in Israel (10%), Jordan (21%) and Egypt (27%).

“PIF's energy strategy is to localize the production of electricity, gas, and oil to alleviate the cost and risk of energy imports.”

Availability of low-cost, secure supplies of power will meet the energy needs of the Palestinian market and enable export of excess quantities to high demand markets. Construction of energy infrastructure and eventual energy production will also fuel local economic development, particularly in under-developed and under-resourced areas, like Gaza and the northern West Bank, and enabling key energy-intensive projects (such as cement and steel factories).

Critical components of this strategy are the development of the Gaza Gas project and Rantis Oil Field and the development of two combined cycle gas turbine power plants in the West Bank

(Palestinian Power Generation Company and the Southern Power Plant).

Israeli restrictions are a constraint on developing these projects. PIF works with the Government of Palestine, international organizations, and investors to mitigate any possible political risk.

Gaza Gas

Shareholders: BG Group: 55% / CCC: 27.5% / PIF: 17.5%
Located off the coast of Gaza, the Gaza Marine Gas Field contains approximately 28 billion cubic meters of proven natural gas reserves. In addition to providing \$2.4 billion in revenues to the government, the gas field will save the Palestinian economy \$560 million annually by eliminating the need to import electricity from Israel. The substantial gas reserves can be used to fuel the Gaza power plant (when converted to gas, as planned) and the power plants being built in the West Bank.

“Gaza Marine Gas Field will yield \$2.4 billion in revenues for the State of Palestine, once developed.”

A consortium comprised of BG Group, the Consolidated Contractors Company (CCC), and PIF have the exclusive hydrocarbon exploration and marketing rights offshore the Gaza Strip. In 2014, PIF increased its equity stake from 10% to 17.5%. This will be reflected in PIF assets when development starts. This is contingent on the successful launch and operation of the project, which is dependent on the political situation.

BG Group resumed negotiations in 2014 with potential buyers, after the Government of Palestine agreed to extend the developers' concession over the area for an additional 15 years to carry out the entire project's framework. The developers agreed to relinquish any non-development areas in Gaza marine, giving the government an opportunity to license other developers to explore the areas. The Palestinian market will be given precedence when it comes to the sale of Gaza gas.

Palestine Power Generation Company (PPGC)

Shareholders: PIF: 39.6% / PADICO: 20% / PalTel: 10% / Arab Bank: 10% / PEC: 5% / APIC: 4% / others: 11.4%

PPGC aims to build, own, and operate a 450 MW combined cycle gas turbine power plant in the northern part of the West Bank. The project's total development cost will be \$351 million and is being secured through equity investment and project financing.

In 2014, PIF increased its stake in PPGC from 10% to 39.6%. This will be reflected in PIF assets when development starts.

PPGC acquired the 150 km² project land, pre-qualified seven potential engineering procurement and construction (EPC) contractors, arranged the financial close for the project, concluded the power purchase agreement reflecting the shareholders objectives, EPC technical terms, and financing conditions, initiated debt financing discussions with potential development financing institutions (DFI), and is in the process of securing reliable natural gas supply to the power plant.

Rantis Oil Field

Shareholders: Developer: ≤ 75% / PIF: ≥ 25%

Based on initial indications of an oil field with commercial potential in the Rantis area, the Government of Palestine issued a tender for potential developers to explore and possibly extract oil from a potential oil field in the Rantis

area of the western West Bank, contingent on PIF holding at least 25% equity stake.

This will be reflected in PIF assets when development starts. The project's development costs are estimated at \$712 million to be borne by the developers with an estimated rate of return of 53%. The government's share in the project profits would be approximately 70%, including PIF's share (or \$1 billion). Bidding is still in process.

“Rantis Oil Field will yield \$1 billion in revenues for the State of Palestine, once developed.”

South Power Plant

The South Power Plant will be the second West Bank power plant, located in the southern West Bank. The plant will be developed on a build, own, and operate basis with a generation capacity of 200 MW, run on combined cycle gas turbine technology, with natural gas as the primary fuel.

After receiving cabinet approval in 2014, the Palestinian Energy Authority is planning a competitive tender in order to attract independent power producers (IPP) to develop the South Power Plant. It is envisaged that PIF and the selected IPP will establish a new project company that will be incorporated and registered in Palestine.

Leading Palestinian Energy into a Sustainable Future

Reliable energy supply is critical for all sectors of the Palestinian economy. PIF recognizes reducing dependence on energy imports and increasing utilization of renewable energy will deliver significant economic growth and security. By 2030, up to 50% of domestic production for Palestine could be from renewable sources.

PIF is initiating an ambitious power generation program from conventional and renewable energy sources that will secure Palestinian energy independence and will contribute to reduce dependence on imported electricity sources. This program will target to increase the installed power generation capacity to 1,500 MW by 2030 and is expected to increase the local and foreign direct investment in the energy sector by \$2.3 billion.

Building a resilient and sustainable energy supply could directly add \$2.2 billion to the national gross domestic product (GDP) and create over 17,000 new jobs (from less than 1,000 in 2012).

*Figures are taken from the Portland Trust.

INFRASTRUCTURE TELECOMMUNICATIONS

Due to under-penetration and rising domestic and business demands, the Palestinian telecommunications market represents a high growth opportunity and substantial economic impact.

The telecommunications market in Palestine has an attractive structure, characterized by two market players: Jawwal and Wataniya Mobile. However, mobile penetration in the West Bank remains very low (79% in 2014), compared to Israel (120%) and Jordan (150%).

Combined with growing and largely young population, this under-penetrated market creates a high growth opportunity for telecommunications investments, particularly by responding to the growing size (and therefore demand) of the retail and business markets. Current telecommunication revenues are around \$440 million, while direct employment is matched by up to three times in indirect employment.

Despite the strong fundamentals, the sector is likely to experience some difficulties in the short to medium term periods because of the challenging political and economic environment. Additionally, the sector's growth potential is undetermined by the arbitrary Israeli restrictions on frequency utilization by Palestinian operators, especially relating to 3G and 4G, which keeps data penetration low.

Wataniya Mobile

Shareholders: PIF: 36.55% / Public ownership: 15% / Wataniya International: 48.45%

Wataniya Mobile is the second mobile telecommunications company to have been licensed to operate in Palestine. Wataniya's vision is to become the telecom provider of choice in Palestine by leading in customer experience and innovation while fulfilling stakeholders' expectations. Wataniya improved its profitability by 21%, as net losses reached -\$16.5 million in 2014 compared to -\$21 million in 2013. Its gross revenue in 2014 was \$85.3 million, of which it paid \$6 million to the Government of Palestine in revenue sharing.

Wataniya's license comprises installing and operating a GSM mobile telecommunications network and a third generation 3G network, providing voice and data telecommunications services in the West Bank and Gaza, in addition to providing international telecommunications services.

In 2014, Wataniya's senior leadership changed. Former PIF Chief Investment Officer Dr. Durgham Maraee became CEO, PIF board member Mohammed Abu Ramadan became chairman, and several members of the board of directors were changed.

Wataniya has an aggressive plan for 2015-2017, aiming to acquire, retain, and increase its subscriber base to reach 50% more subscribers in 2015 in both the West Bank and Gaza.

Wataniya's Gaza launch had been impeded by Israeli border restrictions. In 2014, the company was able to bring in the bulk of equipment and materials needed to build the network into Gaza. In 2015, Wataniya is planning to bring in the remaining materials and launch its services into the Gaza market.

Israeli restrictive policies and measures related to frequency, other Gaza launch aspects, international gateway, infrastructure in Area C, and custom clearance remain a challenge. Furthermore, the regulator of the Palestinian telecommunications market must play an active role in preventing anti-competitive behavior in the marketplace, in order to guarantee fair pricing and compensation.

“ Wataniya Mobile is the dynamic new entrant challenging the incumbent operator. ”

INVESTMENT PORTFOLIO MICRO, SMALL, AND MEDIUM ENTERPRISES



IBN SINA SPECIALIZED
HOSPITAL



ASALA FOR LENDING
AND DEVELOPMENT



PAL - FARM COMPANY



PALESTINE IJARA
COMPANY



SOUKTEL, INC.



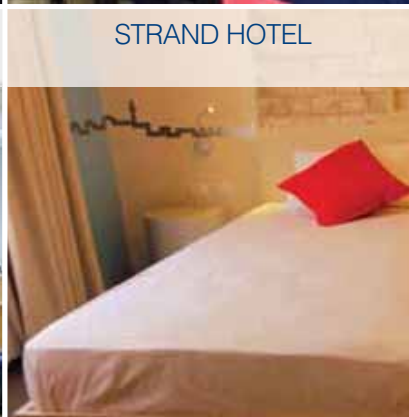
TRANSCEND
SUPPORT LTD.



ANOUD GAMES



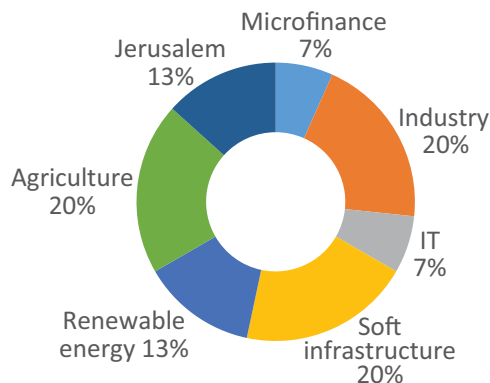
PALESTINE FOR CREDIT &
DEVELOPMENT - FATEN



STRAND HOTEL

Total value:
\$13 million

Target: \$150 million
Committed: \$50 million



PIF invests in the potential of the Palestinian people by promoting growth and development in the small and medium-sized businesses.

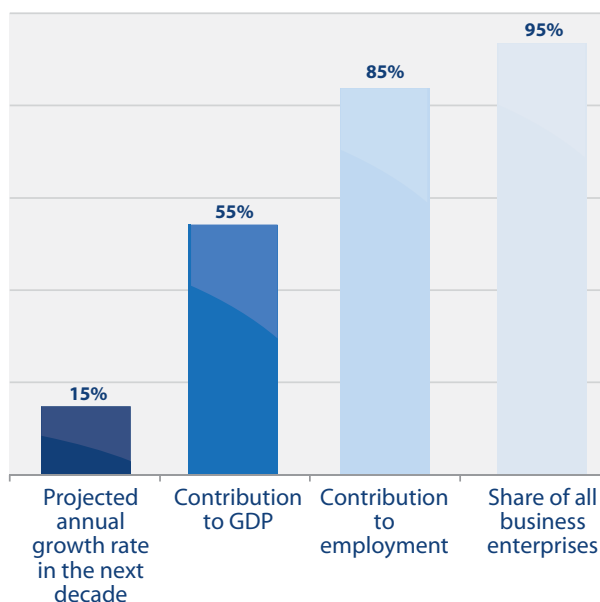
Micro, small, and medium enterprises (MSME) are the backbone of the Palestinian economy. Despite the small size of individual companies, Palestinians MSMEs significantly contribute to growth and job creation, providing over 55% of GDP and 85% of private sector employment.

The companies are typically family-owned and characterized by low average capitalization, operational flexibility, as well as low start-up and operating costs.

Over the years, Palestinian MSMEs have managed to build significant resilience in the face of political uncertainty and volatile market conditions.

However, like any other sector in Palestine, the MSME sector faces a number of challenges that are hindering its growth.

The main challenges include limited access to investment capital, debt financing, managerial expertise, technology and know-how, corporate governance support, and business and government networks.

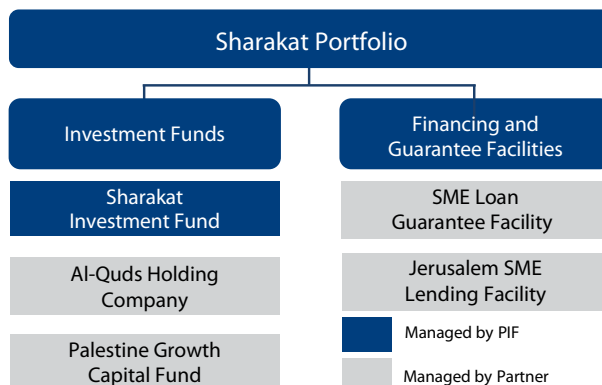


SHARAKAT

Established in 2013, Sharakat's mandate is to facilitate the channeling of equity and debt capital in a sustainable and commercially sound manner into MSMEs in Palestine, with the goal of promoting the MSME development and growth.

To achieve this goal, Sharakat engages in a diverse set of investment activities that range from direct and indirect equity investments to direct and indirect loan provisions and loan guarantee schemes.

Sharakat consists of investment funds that are directly managed, in addition to investment funds, and financing and guarantee facilities that are managed by partners.



MICRO, SMALL AND MEDIUM ENTERPRISES SHARAKAT INVESTMENT FUND

SHARAKAT INVESTMENT FUND

Sharakat Investment Fund is a private equity fund managed directly by PIF that invests in MSMEs in various economic sectors. The fund is planned to reach \$150 million. PIF has committed \$50 million and the rest will be raised from local and international investors.

The fund started off by targeting industry, IT, microfinance and agriculture sectors. In 2014, Sharakat expanded its mandate to cover additional economic sectors including tourism, soft infrastructure (health care and educational services), and small-scale renewable energy projects.

The Fund's geographic mandate includes all of Palestine, with special focus given to the nationally and strategically significant Jerusalem and Aghwar regions.

Sharakat Investment Fund invests in established and start-up MSME's with high potential for growth and expansion, with investments ranging between \$0.2 million and \$3 million (for a stake between 15% and 40%). Investments will be exited within five to seven years, after ensuring that companies can survive on their own.

Exits will take place through IPOs, management buyouts, or sales to strategic investors.

Sharakat adds value to portfolio companies by providing capital investments, assisting in strategic planning, applying corporate governance models, engaging portfolio companies in new networking opportunities, providing companies with technical and organizational support, and cooperating with the companies to accelerate growth and share risks.

In 2014, the Arab Fund positioned itself to commit \$5 million to support SMEs in Jerusalem.

SHARAKAT FUND PORTFOLIO

To date, Sharakat Investment Fund has reviewed 119 potential deals and closed nine deals.

Microfinance	Jerusalem	Agriculture	Industry	IT	Healthcare	Renewable Energy	Education	Tourism	Financial Services
5 deals reviewed	24 deals reviewed	9 deals reviewed	50 deals reviewed	16 deals reviewed	6 deals reviewed	3 deals reviewed	1 deal reviewed	4 deals reviewed	1 deal reviewed
			1 deal in advanced evaluation	1 deal in due diligence	1 deal in advanced evaluation		1 deal in due diligence	1 deal in due diligence	
2 deals closed	2 deals closed	1 deal closed		2 deals closed	1 deal closed				1 deal closed

2014 INVESTMENTS

In 2014, Sharakat signed two investment agreements with Asala Company for Lending and Development and Ibn Sina Specialized Hospital Company.

Asala Company for Lending and Development

Ever since its establishment in 1997, Asala has provided small and micro-loans to Palestinian women in marginalized areas working in different economic sectors in Palestine.

The main goal of the offered loans is to support Palestinian women in starting and growing their own businesses, and ultimately achieving financial independence.

Asala has provided \$35.5 million in loans to Palestinian women across a multitude of different economic sectors within Palestine. Asala's current outstanding loan portfolio stands at \$4.3 million.

Asala will use the \$1.1 million investment by PIF to offer \$500–15,000 loans to Palestinian women in marginalized areas to start new projects or grow existing ones. The investment will also assist Asala in achieving its five-year plan of growing its outstanding loan portfolio to \$11 million.



“ This investment will allow Asala to offer micro-loans to women who are unable to secure proper financing to start new businesses. ”

Reem Aboushi
Asala CEO

Ibn Sina Specialized Hospital Company

Ibn Sina Specialized Hospital Company is a private shareholding company incorporated in Jenin, established to oversee the construction and operation of the first specialized hospital in the Jenin Governorate. Ibn Sina Hospital will offer high-quality medical services to residents of Jenin and nearby cities.

The hospital will commence operations with 60 beds, and is expected to have a total capacity of 120 beds once all departments are fully operational. More than 600 Palestinians including specialized physicians will be employed by the hospital. The hospital is currently still under construction: operations are expected to commence in early 2016.

Sharakat invested \$1 million in Ibn Sina Specialized Hospital in Jenin. The investment will secure the fund a 5% stake in the new \$20 million hospital. Through its first investment in the healthcare sector, Sharakat is improving healthcare services in Jenin by dealing with the shortage in hospital beds and increasing access to specialized services.



“ Ibn Sina Hospital offers specialized medical services at the highest international standards and at reasonable costs. This partnership with Sharakat is a turning point for this project. ”

Dr. Mustafa Hamarsheh
Board Chairman
Ibn Sina Hospital

Sharakat Closed Deals

Company	Sector	Type of Business	Type of Fund	Equity (%)	Commitment	Disbursement as of Q4, 2014
Strand	Tourism	Hotel	Growth Capital	40.0%	\$0.9 MN	\$0.9 MN
Anoud	Manufacturing	Educational Games	Growth Capital	13.5%	\$0.2 MN	\$0.2 MN
Faten	Microfinance	MFI	Loan	N/A	\$3.0 MN	\$3.0 MN
Transcend Support	IT	Call Center	Start-Up	42.9%	\$0.3 MN	\$0.3 MN
Souktel Co.	IT	Mobile Services	Start-Up	10.6%	\$0.2 MN	\$0.2 MN
Jebrini Farm	Agriculture	Dairy Farm	Growth Capital	29.4%	\$1.6 MN	\$1.5 MN
Palestine Ijara Company	Financing	Islamic Leasing	Start-Up	33.3%	\$4.0 MN	\$1.0 MN
Asala	Microfinance	MFI	Growth Capital	26.8%	\$1.1 MN	\$1.1 MN
Ibn Sina Hospital	Healthcare	Specialized Hospital	Start-Up	5.0%	\$1.0 MN	\$0.5 MN
Total					\$12.3 MN	\$8.7 MN

EXISTING PORTFOLIO

**PAL-FARM****Agriculture**

The farm will secure a constant fresh milk supply for dairy production.

**SOUKTEL****IT**

Souktel matches between job seekers and potential employers in emerging markets through SMS.

**TRANSCEND****IT**

Transcend offers business services to local, regional, and international companies.

**ANOUD GAMES****Industry**

Anoud is one of the largest makers, importers and distributors of educational toys in Palestine.

**STRAND HOTEL****Tourism**

Strand Vienna Hotel is a two-building hotel which is located in East Jerusalem.

**PALESTINE FOR CREDIT & DEVELOPMENT – FATEN****Microfinance**

With an outstanding loan portfolio of \$54 million, FATEN is the largest MFI in Palestine.

**AL-QUDS HOLDING COMPANY****Microfinance**

Al-Quds Holding is a Jerusalem-based independently managed investment company dedicated to investing in SMEs based in Jerusalem.

**PALESTINE IJARA COMPANY****Financial Services**

Ijara Company offers Islamic leasing products (ijara) to SMEs, ranging from \$0.1 million to \$1 million.

MICRO, SMALL AND MEDIUM ENTERPRISES INVESTMENT VEHICLES MANAGED BY SHARAKAT PARTNERS

PALESTINE GROWTH CAPITAL FUND (PGCF)

Sharakat has committed \$10 million to the Palestine Growth Capital Fund (PGCF), which is run by Abraaj Capital and is considered its first investment in Palestine.

PGCF is an SME investment fund established in part to address capital problems facing SMEs in Palestine, in addition to promoting growth and development in this segment.

The total size of the fund is \$50 million. Committed capital by all partners to date is \$36 million. Sharakat's partners in PGCF are: Abraaj Capital, Bank of Palestine, Cisco, and the European Investment Bank.

PGCF has reviewed 80 deals to date. Five deals are currently in advanced stages of evaluation and two have been closed: Anoud with a total investment of \$0.5 million and Thimar with a total investment of \$3 million.

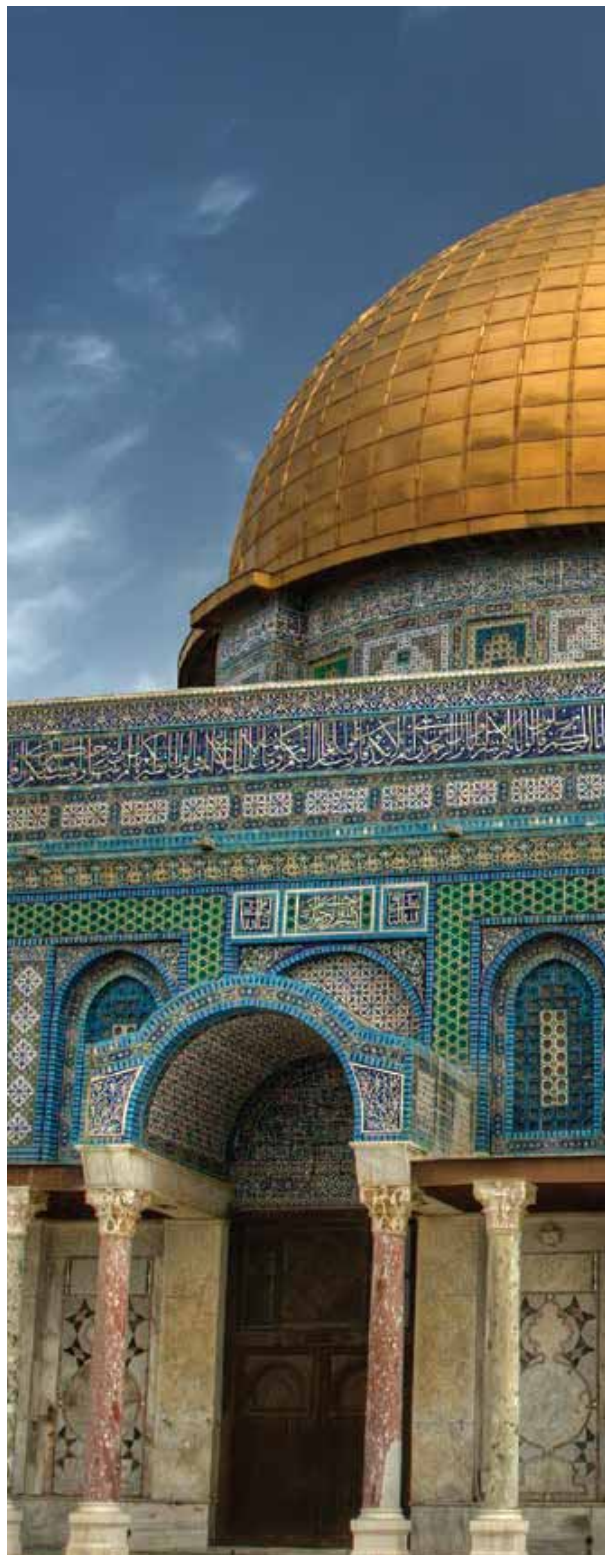
AL QUDS HOLDING COMPANY

Sharakat has also committed \$2 million to Al Quds Holding Company, which is a Jerusalem-based independently-managed investment company dedicated to investing in SMEs based in Jerusalem.

The total size of Al Quds Holding Company is projected to be \$20 million. Sharakat's partners in Al Quds Holding Company include leading companies and prominent Palestinian business owners.

Al Quds Holding Company is currently developing three projects in tourism and affordable housing in Jerusalem, including the Grand Bazaar crafts market (described in further detail in Real Estate and Hospitality), Al Ghadeer, and Ras Al Amoud Housing.

In 2014, Al Quds Holding Company invested \$1.3 million in Strand Hotel, which opened for guests in November 2014.



MICRO, SMALL AND MEDIUM ENTERPRISES SHARAKAT FINANCING FACILITIES MANAGED BY SHARAKAT PARTNERS

Sharakat Financing Facilities support a wide section of MSMEs, cover a wide geographic area, and include direct lending facilities and loan guarantee facilities. Sharakat's financing facilities, which are managed by partners, include:

LOAN GUARANTEE FACILITY (LGF)

LGF is a loan guarantee facility dedicated to SMEs in Palestine and is managed by the Middle East Investment Initiative (MEII). LGF facilitates financing for SMEs by providing banks with loan guarantees, which encourages banks to provide business loans on more flexible terms. LGF has a target size of \$230 million in loan guarantees.

PIF's commitment to the facility is \$50 million. By the end of 2014, LGF had approved over \$125 million in loans to over 792 borrowers in different Palestinian regions and across different economic sectors.

“10,500 jobs were created for Palestinians through the LGF.”

PALESTINE IJARA COMPANY

The Palestine Ijara Company is the first Palestinian company that is specialized in sharia'-compliant leasing products. The company was established in 2013 by Sharakat, the Islamic Corporation for the Development of the Private Sector (ICD), and Palestine Islamic Bank (ISBK), with a total capital of \$12 million.

In 2014, Ijara acquired its license from the PCMA. Since commencing operations in August 2014, the company has signed 13 leasing contracts (worth \$0.3 million), out of 50 reviewed deals.

JERUSALEM SME LENDING FACILITY

One of the biggest challenges facing SMEs in Jerusalem is access to affordable capital, especially soft loans. The Jerusalem SME Loan Facility aims to help facilitate access to affordable loans to SMEs in Jerusalem, which are traditionally known to be un-bankable.

The facility is a \$2 million facility managed by the Palestinian Development Fund (PDF) that provides affordable loans to existing SMEs in Jerusalem. PIF has disbursed \$0.7 million so far.

In 2014, the Jerusalem SME Loan Facility disbursed \$0.9 million to 19 companies operating in sectors that include industry, services, tourism, and commercial activities. Granted loans range between \$25,000 and \$100,000 in size.



Pharmacare (client of the Palestine Ijara Company)

MICRO, SMALL AND MEDIUM ENTERPRISES SHARAKAT PARTNERS

Sharakat partners with prestigious local, regional, and institutional investors to fund some of its investments and financing facilities, as well as to manage others.



Abraaj Capital

Manages Palestine Growth Capital Fund (PGCF) and is a co-investor in Anoud Games



Islamic Corporation for the Development of the Private Sector (ICD)

Co-Investor in Ijara Company



Al-Quds Holding

Co-investor in Strand Hotel



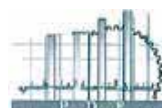
Palestine Islamic Bank

Co-Investor in Ijara Company



Arab Fund for Economic and Social Development

Partner in Jerusalem SME Lending Facility



Palestine Development Fund

Manages Jerusalem SME Lending Facility



Middle East Investment Initiative (MEII)

Manages the Loan Guarantee Facility (LGF)



Sadara Ventures

Co-Investor in Souktel Company



Overseas Private Investment Corporation (OPIC)

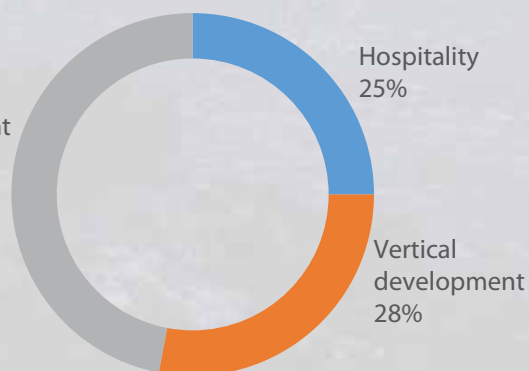
Partner in Loan Guarantee Facility (LGF)

INVESTMENT PORTFOLIO REAL ESTATE AND HOSPITALITY



**Total value:
\$167 million**

Horizontal
development
47%



PIF investments in the real estate and hospitality sectors unlock the sector's potential and allow for mass real estate and hospitality developments.

Construction currently represents around 22% of Palestinian GDP (\$2.3 billion) and around 16% of total employment, making the sector an important contributor to the economy. The construction sector's potential growth is significant, particularly if key constraints are removed. High costs, together with long-standing land registration issues, remain two of the greatest constraints for the sector's development.

“Land is a precious commodity in Palestine. PIF develops its land holdings to satisfy high demand and strengthen national territorial integrity.”

Greatest growth potential remains in residential real estate. Even though over a third of all construction is in residential real estate, there is a chronic housing shortage: the Government of Palestine estimates there will be a deficit of over 200,000 residential units by 2020. This primarily impacts the middle and lower income Palestinians, who are unable to afford to find or buy purpose-built houses.

Real estate development is also impeded by the complexities of Palestinian land registration. This makes it difficult and expensive for most investors to acquire large tracts of land, which, in turn, limits growth possibilities in the construction sector and imposes particular constraints on the affordable housing segment.

PIF's real estate development strategy is to boost the supply of residential and commercial buildings, especially affordable housing, in Palestine in light of the severe current shortage and the persisting pent up demand.

Through its subsidiary Amaar Real Estate Group, PIF has led the way in residential construction by expanding access to multi-cost housing through its projects outside the costlier urban areas of Ramallah (Al Reehan) and Jenin (Al Jenan). Its large-scale commercial project Ersal Center, located on the periphery of El Bireh-Ramallah, has provided high-end commercial facilities that will act as a vibrant business and financial hub, attracting businesses out of the congested urban center.

However, PIF recognizes that the real estate sector cannot attain its potential within the current

construction structure, in which high construction costs are passed onto the consumer. Therefore, in 2014, PIF shifted its strategic focus from vertical project-based construction to horizontal mass land development in order to provide greater national access to unexploited land and to give Palestinians the chance to build their own homes.

Through Amaar, PIF will continue to lead in the sector by acquiring and registering large land tracts, creating master plans, establishing critical infrastructure, and enabling subcontractors to build according to the established plans.

Under a new “Build your Own Home” initiative, Amaar will also initiate the sale of land parcels to potential buyers to develop their homes in accordance with the approved master plan in many locations such as Hebron, Jericho, Birzeit, and Surda.

Amaar will be able to amass and monetize greater land holdings through planned mass development. This will reduce Amaar's focus on vertical development of real estate and allow the private sector to expand its role in this sector.

“1.2 million working days were created by Amaar in construction since 2009.”

Through Amaar, PIF continues to invest in hospitality ventures, including the flagship Grand Park hotels in Ramallah and Bethlehem and two landmark tourist sites in Jerusalem (the Grand Bazaar crafts market and the Golden Gate Hotel).

The Palestinian hospitality sector is promising yet fragile, with immediate repercussions of any political volatility on tourist numbers. Therefore, Palestine has lower hospitality rates than in the region, with hotel occupancy rates less than half and cash spend/stay rates 30% lower than in Jordan and Israel. In 2014, the hospitality sector suffered badly during and after the Israeli bombardment of Gaza. However, Amaar's hotels managed to maintain 55% occupancy rate, which is more than double the average occupancy rate (25%) in Palestine.

REAL ESTATE AND HOSPITALITY

AMAAAR REAL ESTATE GROUP

AMAAAR REAL ESTATE GROUP
Shareholder: PIF 100%

With an authorized capital of \$140 million, Amaar Real Estate Group is the real estate investment arm of PIF. Amaar is the master real estate developer of large-scale real estate projects with focus on development in the residential and commercial sectors along with tourism and hospitality. Additionally, Amaar holds a significant land bank for potential future real estate developments and sale of land development rights.

VERTICAL DEVELOPMENT: RESIDENTIAL REAL ESTATE

Al Reehan (Ramallah)

The first planned neighborhood in Palestine is located near Ramallah with a total area of 250 dunum. The neighborhood consists of more than 1,600 planned residential units (including units developed by Amaar and units developed by others), one commercial center and other public facilities, including a specialized hospital, a mosque, a kindergarten, and a school.

In 2014, all apartments and villas were completed and handed over to end users, apart from the Jawwal residential area and Al Reehan Executive Towers. A third of the Jawwal units were handed over to Jawwal, with the remaining 169 units to be completed by mid-2015. Construction on the two 12-story residential Al Reehan Executive Towers was delayed by external factors: the hand over date is expected to be in the first half of 2015.

Al Reehan Commercial Center is complete and handed over to leaseholders. Al Reehan mosque and library are ready for residents' use, and Al Reehan Hospital is completed, pending interior design and equipping. An exclusive public transportation line and taxi service from Ramallah was also activated to Al Reehan.



Al Jenan (Jenin)

Al Jenan is the first planned neighborhood in the Jenin area, with a few hundred residential units, one commercial center and other public facilities covering 77 dunum. All 54 semi-detached villas and 28 apartments were completed, despite the work cessation of subcontractor Ritaj.

VERTICAL DEVELOPMENT: COMMERCIAL REAL ESTATE PROJECTS

Ersal Center and Amaar Tower

Ersal Center will serve as a 58-dunum financial district to more than 800,000 Palestinians living in Ramallah and Al Bireh, and the central region of the West Bank, including Jerusalem.

At the heart of Ersal Center is the 17-floor state-of-the-art Amaar Tower, which will house PIF, Amaar, and Sanad's headquarters, as well as other tenants.

Both Ersal Center and Amaar Tower are complete and handed over, pending finishing works and final landscaping of the center.



Jericho Agro Industrial Park (JAIP)

JAIP is being developed as a multi-use industrial park in Jericho, with commercial lease hangers and open lots.

In 2014, infrastructure was completed and almost 92% of hangers were installed/fixed. Additionally, eleven contracts for hangers and open lots were signed in JAIP.



HORIZONTAL DEVELOPMENT

Amaar owns a large land bank of approximately 935 dunum across the West Bank. In 2015, Amaar will develop a number of its available land plots so they can be sold off for horizontal development, through sale of land development rights to individuals and private developers.

Amaar's decision to focus on horizontal development came as a result of the ever-increasing demand for land plots by individuals and developers, combined with the high construction costs of vertical development.

To fulfill this strategy, Amaar will be diligently seeking opportunities to purchase land plots in the West Bank to add to its growing land bank, which will later on be used to expand its development projects as part of the residential real estate portfolio.

HORIZONTAL DEVELOPMENT STRATEGY

Amaar will:

1. Acquire plots of land
2. Execute minimum infrastructure works
3. Obtain approvals on master plans
4. Parcel land plots based on the approved master plans
5. Sell small parcels to individuals and developers in the form of development rights

Madinat Al Qamar (Jericho)

Amaar launched Madinat Al Qamar, a 500-dunum horizontal development project in Jericho, in 2014. Infrastructure works are underway and Amaar has already begun selling development rights to subdevelopers for residential and mixed use.



Infrastructure works in Madinat Al Qamar (Jericho)



Fakhri El Din Restaurant, Grand Park (Ramallah)

TOURISM AND HOSPITALITY

Grand Park (Ramallah)

The Grand Park Hotel has a total approved budget of around \$11.5 million. In 2014, the hotel launched the new Fakhri El Din Restaurant. The Grand Park maintained a 56% occupancy rate (more than double the market average of 25%). To mitigate the impact of challenges faced in 2014 as a result of the Gaza war, the Grand Park continues to provide quality services by implementing recovery plans as needed.

Grand Park (Bethlehem)

Grand Park Hotel invested \$4 million in Grand Park (Bethlehem) and now has an ownership stake of 40.7% in the hotel. Amaar injected \$1.6 million in the development of Grand Park (Bethlehem). In 2014, the hotel maintained a 55% occupancy rate (higher than the market average of 25%). Amaar seeks to lower costs and improve efficiency of the hotel's management by closely and constantly monitoring operations and financial performance.

“Grand Park Hotels maintained 2x the occupancy rate than the market average.”

Grand Bazaar Company

In a joint venture with Al Quds Holding, Amaar is developing and renovating the Grand Bazaar building in a prime tourist area in the Old City of Jerusalem by leasing it to Jerusalem Tourism Cluster (JTC), which will work on turning it into a crafts market. JTC will supervise the renovation of the building and will lease the Grand Bazaar for 10 years. In 2014, Amaar's share in Grand Bazaar increased to 63.7%. Al Quds Holding requested a \$1 million grant from the Islamic Development Bank (IDB) to finance the renovation of the building,

INVESTMENT PORTFOLIO LARGE CAPS



INVESTMENT PORTFOLIO
LARGE CAPS

PIF adds value to large cap Palestinian companies by improving operations and efficiency for greater market competitiveness.

Within the large caps sector, PIF invests in companies with high capitalization that are typically in the mature stage and have stable earnings. PIF's goal is to extract value from improving operations and efficiency in these companies and, as a result, secure stable ongoing returns. The significant stakes that PIF acquires in these companies give it some control over operations and strategic planning decisions.

Currently, PIF has five main large cap holdings: Sanad Construction Industries, the Arab Palestinian Investment Company (APIC), the Palestinian Islamic Bank (ISBK), the Arab Islamic Bank (AIB), and the Palestine Industrial Investment Company (PIIC).

SANAD

PIF stake: 100%

Sanad Construction Industries Company (formerly Palestine Commercial Services Company) was established in 1994 to meet the cement needs of the Palestinian market. Sanad is also a majority shareholder (owns 60%) in Bulk Express, the largest cement transport company in the West Bank.

As a critical construction material, cement is a strategic commodity that is vital to the national economy. Accordingly, cement trading is one of the major business lines in Palestine, and the security and stability of its supply and pricing are of strategic importance to the Palestinian economy. However, the economic and political conditions limit growth prospects in cement trading, as demonstrated by the inability to access the Gaza market, despite its immense need for building materials.

“Sanad offers cement at lower prices than nearby countries, by managing its supply chain.”

The need to import the vast majority of raw materials for the construction sector results in higher than necessary costs and potential construction delays due to supply constraints.

At present, the majority of cement is imported from Israel: Sanad purchases 80% of local cement requirements from Israel's Nesher Cement.

In 2014, Sanad shifted towards a new development strategy to secure a reliable domestic source and inventory of concrete and other building materials and capture a greater part of the value chain.

At the heart of Sanad's long-term strategy is the establishment of a cement factory in Palestine in the coming four years. In 2014, Sanad hired Holtec, an Indian consulting services company to conduct a feasibility study and prepare a business plan for Sanad's new manufacturing plant project. The \$300 million plant will have a capacity of 5,000 tons per day, which would be doubled after three years.

A second pillar in Sanad's development strategy is the establishment of two main filling and packing facilities in the West Bank to process imported cement. Sanad is also studying the possibility of domestic production of aggregates and the introduction of artificial stones.

A third pillar is the stimulation of the larger concrete producing sector. In 2015, Sanad will launch a \$30 million investment program to provide equity to private sector start-ups and established companies operating in the sector. Sanad will also explore co-investing with Sharakat Investment Fund in construction material companies.

Despite the sector's potential, the current economic and political conditions limit its growth prospects. This is why Sanad's management expects no growth in the market next year.

A breakthrough in the political and economic situations in 2014, however, would stimulate the demand for cement. Additionally, the full opening of commercial borders to Gaza would significantly expand market opportunities.

In 2014, Sanad renewed its agreement with Nesher and was able to secure much better terms. Sanad's competitive advantage allows it to ensure reasonable prices to customers.

ARAB PALESTINIAN INVESTMENT COMPANY (APIC)

PIF stake: 20.2%

Authorized capital: \$70 million

Paid-in capital: \$60 million

A leading private shareholding corporation operating in manufacturing, retail, and wholesale trade, APIC holds a diversified portfolio of investments, including automobile distribution, FMCG, advertisement, and commercial shopping centers.

In 2014, APIC was listed on the PEX and had a share price of \$1.1 as of December 2014. APIC earned around \$11.2 million in net profit in 2014.

“APIC's nine subsidiaries provide high quality products and services that were previously unavailable in the local market or imported at a high cost.”



Subsidiary	About
Palestine Automobile Company	The exclusive distributor for the Hyundai Motor Company and Chrysler Group in Palestine.
Sky Advertising Company	A pioneer advertising and public relation service provider.
Arab Palestinian Shopping Centers Company	The first Palestinian company that specializes in establishing and managing shopping centers.
Unipal General Trading Company	Diversified fast moving consumer goods distributor in Palestine.
National Aluminum & Profile Company	The first and sole manufacturing company of aluminum profiles in Palestine.
Siniora Food Industries	A leading meat-processing company with an extensive presence in Jordan, Palestine, and nine other Arab countries.
Central and West Africa for Commercial Agencies Company	The exclusive distributor of Procter & Gamble products across West Africa; Cameroon, Democratic Republic of Congo, and many others.
Medical Supplies and Services	Provider of health-care products, and medical and laboratory equipment.
Arab Palestinian Storage & Cooling Company	Specializes in establishing, processing, and managing cold storage for agricultural products, livestock products, fisheries, and food.

PALESTINE ISLAMIC BANK (ISBK)*PIF stake: 34%*

Currently, Islamic banking accounts for less than 9% of the total banking market in Palestine, yet demand for Islamic banking is estimated at 20%.

Palestine Islamic Bank (ISBK) is licensed as an Islamic Bank and operates in accordance with sharia' rules. The Bank has an authorized capital of \$100 million and a paid-in-capital of \$50 million. ISBK currently operates through 21 branches, with over 450 staff.

In 2012, PIF completed the acquisition of a strategic stake of 34% in ISBK, making it the largest shareholder and allowing it to gain control over the Bank. PIF believes that it can build capacity within the bank, implement structural changes, attract strategic partners, and grow the Bank to become a leading institution in Palestine. PIF also believes that ISBK can serve as a platform for some of its existing and future programs.

Historically, ISBK offered a limited number of sharia'-compliant banking products and services. Since establishment, the bank focused on installment (cost-plus) sale (murabaha), leasing (ijarah) and Islamic forwards (istisna'). However, in 2014, the bank has recently expanded its products and offering to include profit-and-loss sharing (mudaraba), partnership and joint stock ownership (musharaka), and bartering (musawama). Further services, such as credit cards, remittances, and home financing will be introduced in 2015.

“Islamic banks are characterized by an approach that avoids the payment and receipt of interest. This may include the bank acquiring machinery and/or goods on behalf of companies and reselling it to the borrower with a mark-up.”

During the last five years, ISBK's total assets and customer deposits increased by over 60% and credit facilities increased by 202%. At the end of 2014, ISBK had 5% of the total banking sector in Palestine, with total assets of \$595 million. ISBK was ranked fourth in terms of credit facilities, and fifth in terms of profitability (ROE), and seventh in terms of deposits among the 16 operating banks.

The bank is expected to grow at an average of 15% annually for the coming three years, with main drivers including network expansion (through new 30 new branches) and greater range of products and services.

In October, 2014, a new board of directors was elected to oversee the bank's management. The newly elected board is composed of long-experienced professionals. Following the elections, new board committees were formed to enhance governance and risk management.

ARAB ISLAMIC BANK (AIB)*PIF stake: 21%*

With a market share of 48%, AIB is smaller than ISBK. At the end of 2014, the bank had around \$562 million in assets and \$247 million in outstanding credit facilities. Currently, AIB operates through 12 branches, with over 300 employees.

In 2014, AIB experienced significant growth, with increases in total assets (up 20% from 2013), customer deposits (up 22%), and credit facilities (up 29%). Net income was \$4.1 million, up by 18% from 2013.

Through board representation, PIF provides strategic and institutional support to grow the bank and expand its product offering and client outreach.

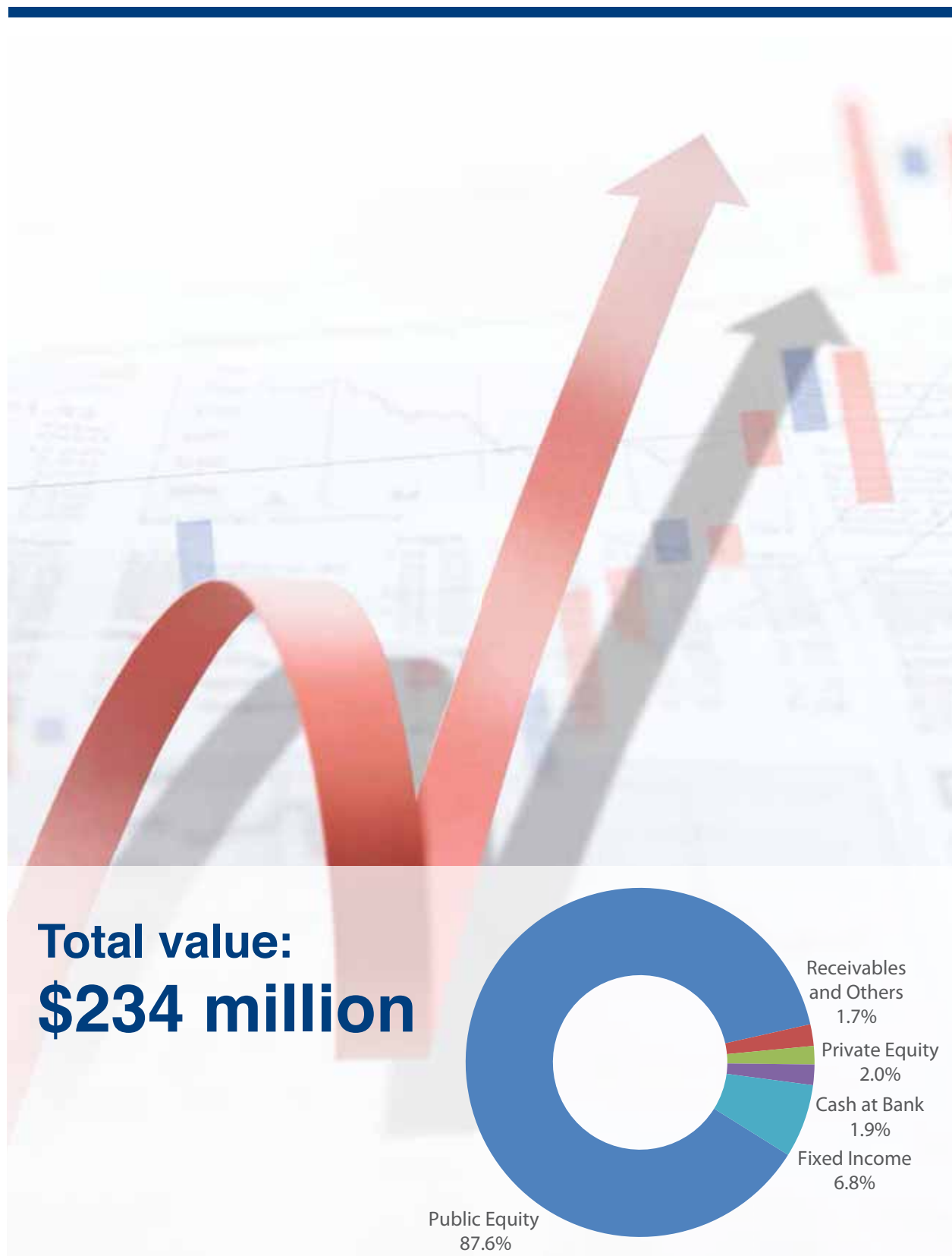
PIF's investment in AIB and PIIC is managed through Khazanah. This is because, although PIF holds around 21% of shares in both companies, its involvement in their management remains very limited.

PALESTINE INDUSTRIAL INVESTMENT COMPANY (PIIC)*PIF stake: 21%*

Palestine Industrial Investment Company (PIIC) is a holding company that was established in 1995 as one of the largest industrial and agricultural companies in the country. In 2002, PIIC was listed at the PEX.

PIIC is the founder of Palestine Poultry Company (Aziza) and Palestine Plastic Industries Company (Ladaen) and both are listed on PEX. PIIC also owns a stake in Vegetable Oil Industries Co. (VOIC), Golden Wheat Mills Company (GWMC), and National Carton Industries Co. (NCI). Its total assets in 2014 was JD 49 million.

INVESTMENT PORTFOLIO CAPITAL MARKETS



CAPITAL MARKETS

KHAZANAH ASSET MANAGEMENT COMPANY

Khazanah Asset Management Company aims to provide a sustainable stream of income, grow the value of PIF's assets over the long-term, and manage PIF's overall risk and excess liquidity.

As the capital markets investment arm of PIF, Khazanah manages investment portfolios across three main geographies that include domestic, regional, and global markets.

Khazanah provides the PIF with a professional platform to invest its excess liquidity over the medium to the long-term in domestic equities, regional equities, global equities and regional fixed income, thus allowing the PIF to diversify its investment portfolio and moderate its investment risk profile.

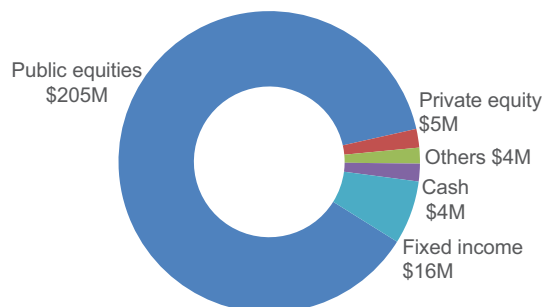
As of 31 December 2014, the total investments managed by Khazanah were \$234 million, which included \$205 million in public equities, \$5 million in private equity, and \$16 million in fixed income.

Its asset class allocation takes into consideration the PIF overall target asset allocation to strategic investments, private equities, real estate and cash. Thus, Khazanah's capital markets exposure complements the PIF's overall asset allocation to long-term illiquid assets, particularly public equities exposure.

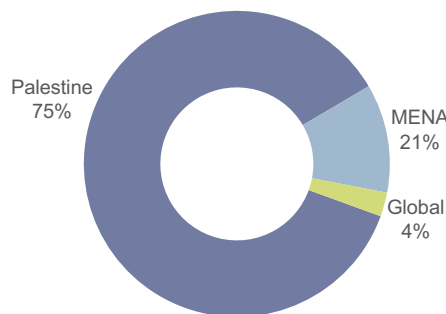
In terms of geographic allocation, Palestine forms the core of Khazanah investment portfolio with total allocation of 75%, given its strategic importance and the PIF's board commitment to invest in the Palestinian capital market to support and uplift the national economy.

Regional and global equities allocation is maintained to ensure portfolio diversification among different geographies while optimizing the portfolio risk-return profile.

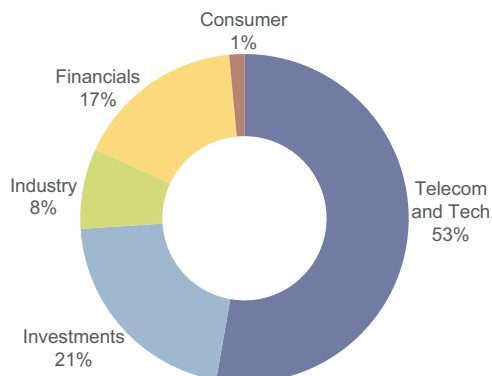
Allocation by Asset Class



Allocation By Geography



Allocation of Public Equity by Sector



CAPITAL MARKETS

RASMALA PALESTINE EQUITY FUND

Rasmala Palestine Equity Fund provides a gateway to a diversified exposure in the PEX.

Rasmala Palestine Equity Fund (RPEF) was launched at the beginning of 2011 by Rasmala Investment Bank, a leading MENA asset management company based in Dubai, with the sponsorship of PIF.

The RPEF's main objective is to provide its investors with a sustainable stream of dividend, while achieving long-term capital over the long-term appreciation. It achieves this by investing in a diversified portfolio and value stocks listed in the PEX and, at times, in securities anticipated to undergo initial public offering, as well as securities at their initial stage of public offering.

RPEF seeks to generate Alpha above Al-Quds Index benchmark. It uses a combination of qualitative and quantitative tools in setting its asset allocation, sizing individual security exposures, and moderating the fund risk profile.

The RPEF is constructed as an efficient investment vehicles to attract local, regional and international Institutional investors seeking to get a diversified exposure to Palestine domestic capital market and its key economic sectors.

The fund has succeeded in attracting a group of leading institutional investors including the Arab Bank, Palestine Telecommunications Company (PALTEL), Palestine Development and Investment Company (PADICO) and Bank of Palestine (BOP).

As of 31 December 2015, the fund total assets were around \$56.8 million invested in 14 leading stocks in the PEX and across main economic sectors.

Sector	Service	Financials	Investment	Industry	Cash
Fund	52%	23%	20%	1%	3%
Benchmark	51%	29%	16%	3%	0%



INVESTMENT PORTFOLIO

PALESTINE FOR DEVELOPMENT FOUNDATION



By seeding and scaling up businesses, PIF's social investment and corporate social responsibility program is building a strong, independent economy from within.

In 2014, PIF established Palestine for Development Foundation (PSDF) as a separate entity, responsible for social investments leveraging funds from PIF and other donors. The not-for-profit foundation develops and supports projects that have tangible impact on the Palestinian society, particularly in fostering entrepreneurial resilience and growth.

PSDF now manages all corporate social responsibility (CSR) initiatives and programs formerly implemented by PIF, including the Lebanon Refugee Camps Microfinance Facility, which were previously classified under Sharakat, the Jerusalem Grant facility, and the American School in Gaza.

By shifting its CSR activities under PSDF, PIF can maintain its focus on investment activities while ensuring a strategic and sustainable approach for social investment. PSDF will facilitate fund-raising and cooperation with local and international organizations for CSR programs. So far, PIF has secured an Arab Fund grant (\$0.5 million) to support the Lebanon Refugee Camps Microfinance Facility and a European Commission grant (\$2.3 million) to support the Jerusalem SME Grant Facility.

PSDF is a separate legal entity, with its own board of trustees and registered as a non-profit company.